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Report to Congressional Requesters

February 1986

CHILD CARE

Employer Assistance for Private Sector and Federal Employees

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February 11, 1986

The Honorable William D. Ford
Chairman, Committee on Post
Office and Civil Service
House of Representatives

The Honorable William V. Roth, Jr.
Chairman, Committee on Governmental
Affairs
United States Senate

The American workplace has changed remarkably over the past three decades. One of the most important changes has been the increasing number of women in the work force. By way of illustration, in 1947 only 32 percent of all adult females were in the labor force; by 1980 the percentage had increased to 52. Concurrently, the number of working mothers has increased greatly. In 1950, only 12 percent of mothers with children less than 6 years of age were in the labor force; by 1984, 52 percent were employed. The majority of American children today—more than 22 million of them—are growing up in homes where both parents, or the sole parent, are employed outside the home. As a result of this development, a growing number of employers have begun to offer some form of child care assistance to their employees.

Recognizing these changes in the labor force, you asked us to examine the following options under which the government might provide dependent care assistance to federal employees.

- On-site care—setting up a dependent care facility at the employees' workplace.
- Consortium care—several organizations in a particular geographic area joining together to establish a dependent care center.
- Vendor care—contracting with a private day care organization for dependent care.
- Voucher care—providing direct payment to employees for some portion of their dependent care costs.

This report, focusing on child care, summarizes costs and benefits reported by private sector employers; compares and contrasts the advantages and disadvantages of the four options; describes the federal government's current involvement; and estimates the cost of such assistance for federal employees under various assumptions of the level of subsidy, annual per child costs, and number of children sponsored.

Objectives, Scope, and Methodology

In requesting this study, the Chairman of the House Committee on Post Office and Civil Service forwarded a letter from the Chairwomen of the Subcommittees on Civil Service and on Compensation and Employee Benefits. The Chairwomen's letter requested that we conduct a dependent care study as described in H.R. 5646, which was introduced in the 98th Congress. Had H.R. 5646 become law, it would have required the Comptroller General to examine various options under which the government could provide dependent care benefits to federal employees, including a cost benefit analysis of each option. The study was to consider the costs to the government incurred through lost productivity, recruitment, turnover, absenteeism, tardiness, training of replacements, loyalty, public relations, and other factors related to dependent care and then compare these costs with the costs of offering a dependent care benefit for federal employees. The Chairwomen's letter asked that our study include a canvass of private sector studies to determine whether cost savings identified in them could be translated into similar savings for the federal government.

In a related request, the Chairman of the Senate Committee on Governmental Affairs asked that our analysis include estimates of the cost if the government funded the entire child care service, the cost if the government provided only the space and equipment for child care facilities, and the projected operating expenses regardless of whether these costs would be paid by the government or by the employees.

In meetings with committee and subcommittee representatives to discuss the requests, it was agreed that cost benefit analyses of the various dependent care options would not be necessary. We pointed out that our review of the substantial body of literature on dependent care assistance in the private sector did not identify a sound example or model of cost benefit analysis, and several other surveys by experts in the field confirmed that a satisfactory cost benefit analysis had never been performed. One of the impediments to such an analysis is the intangible nature of certain ascribed benefits, such as improved morale, employee loyalty, and public relations. Another is the difficulty of ascribing benefits that are potentially quantifiable (reduced absenteeism and turnover, improved productivity, easier recruitment, etc.) solely to the establishment of day care assistance because other variables are known to affect these measures. We agreed that the objectives of this report would be to

- identify the use of each option in business and government to indicate relative trends;

- determine start-up and operating costs for dependent care assistance reported by private sector employers and similar costs to the government for some of its existing programs;
- identify benefits of providing dependent care as reported by private sector employers;
- compare and contrast the advantages and disadvantages of the on-site, consortium, vendor, and voucher options;
- identify obstacles which hinder the federal government from providing dependent care; and
- estimate potential cost to the federal government of providing dependent care assistance to its employees.

Subcommittee representatives also requested that our study include information about the private sector's involvement in care for elderly and handicapped dependents of employees in addition to care for dependent children. Toward this end, we contacted numerous sources, including consultant groups, employee benefits groups, and federal agencies, to determine whether private sector employers were sponsoring other dependent care programs. None of these sources were aware of any programs under which care during the working day for dependents other than children was being subsidized by employers. Furthermore, in November 1984 we sent questionnaires to federal employees asking about alternative work schedule programs.[1] One of the questions in that survey asked whether federal employees had any adults or children living in their homes who required care or supervision during the workday. The responses to that question showed that children were identified as requiring such care more than 10 times as frequently as other dependents. Thus, this report focuses only on child care programs.

In conducting our study, we researched existing literature for information on the advantages and disadvantages of each child care option, the cost to employers for providing child care, and the benefits of providing child care assistance as reported by private sector employers and past studies. In the sections of this report on private sector programs, we relied on the information as it was presented in the literature.

As agreed with subcommittee representatives, we limited our review of day care centers at federal agencies. We interviewed officials and

[1] Alternative Work Schedules for Federal Employees (GAO/GGD-85-63, July 19, 1985).

reviewed documents at 8 of the 26 day care centers that were in operation at federal agencies when we conducted our review. Of the eight centers contacted, five were located in Washington, D.C., and the other three were in Boston, Massachusetts; North Chicago, Illinois; and Ann Arbor, Michigan. One of the centers contacted in Washington, D.C., was the Senate Employees' Child Care Center, which we included in our review at the request of 10 Senators. We talked to officials at the Department of Transportation and the Internal Revenue Service in Washington, D.C., and at the National Aeronautics and Space Administration's Lewis Research Center in Cleveland, Ohio, to discuss their initiatives to establish day care programs. We met with officials at the Equal Employment Opportunity Commission and the National Oceanic and Atmospheric Administration about day care centers which were opened at these agencies but later closed.

Our study also included questionnaire response data on dependent care assistance needs from our earlier review of federal employees' attitudes on alternative work schedules. That review covered a random sample of employees selected from the universe of all permanent employees (full-time and part-time) who worked for executive branch agencies in the contiguous United States in June 1984. The sample excluded employees in the Postal Service and the Senior Executive Service.

Finally, we sent letters to the Federal Executive Board Executive Directors in the 10 standard federal region headquarters cities. These letters asked the Executive Directors to identify efforts to provide day care assistance, within the federal sector, in each of their regions.

This study did not include child care centers at military installations. A 1982 report[2] outlined the military services' involvement in child care programs. That report showed that the military services had established child care centers at over 400 installations worldwide, serving about 53,000 military dependents.

Our review was conducted from January to June 1985.

Trends in Child Care Assistance

The federal government offered child care assistance to parents in the past, particularly during wartime, in order to encourage women to join the workforce. Today as well, the federal government subsidizes child day care arrangements. Subsidies are provided through various social

[2]Military Child Care Programs: Progress Made, More Needed (GAO/FPCD-82-30, June 1, 1982).

welfare programs (Social Service Block Grants, Head Start, Child Care Food Program, etc.) that include day care as a component, the dependent care tax credit, and the exclusion from employees' gross income of employer contributions to qualified dependent care programs. Only the dependent care tax credit, however, is broadly available to the government's own employees. As of June 1985, 26 federal installations had on-site child care centers for civilian employees.

A limited, but increasing, commitment to child care assistance has been made by private sector employers in recent years. Information collected by the National Employer Supported Child Care Project[3] and the Work and Family Information Center of The Conference Board[4] indicates that the number of private sector employers offering some form of child care assistance to their employees has increased from 105 employers in 1978 to 415 in 1982 and approximately 1,800 in 1985. About 825 companies provide employees with child care assistance through direct financial assistance, frequently packaged as part of a flexible benefits spending account that the employee can use for a variety of purposes. On-site child care centers exist primarily in the health care field—400 of approximately 550 in 1985 were on-site centers operated by hospitals. Approximately 300 companies assist employees through information and referral programs but do not provide direct financial assistance. Another 100 companies provide after school care, sick child care, or support for family day care. Thus, despite the increase in private sector commitments to provide child care information and financial assistance, the 1,800 employers who have established such initiatives constitute a small percentage of all American employers.

New York and California are the only states which have actively promoted and sponsored child care programs for children of state employees. As of September 1985, New York had established 23 work-site day care centers, enrolling some 1,200 children across the state, and 10 more centers were under development. In July 1985, California enacted legislation that established a fund of $1 million to be used for the development of child care programs for children of state employees.

[3]The National Employer Supported Child Care Project was a study conducted by Sandra L. Burud, Pamela R. Aschbacher, and Jacquelyn McCroskey under a grant from the Department of Health and Human Services.

[4]The Conference Board is a nonprofit business research organization in New York, New York.

Advantages and Disadvantages of Various Child Care Options

Consultants to companies investigating dependent care as an employee benefit stress that no one option is superior in all situations and that a choice among the various available options must be heavily influenced by a particular employer's location, business characteristics, labor force composition and needs, and workplace goals.

While the on-site child care center is probably the most visible option available to employers who want to help meet employee child care needs, it is the exception rather than the rule, other than for hospitals. The on-site center, since it directly increases the supply of services, may be appropriate when facilities are lacking or inadequate in a particular community. It is also the option that gives the employer maximum control over the quality of operations and allows parents to spend more time during the day with their children. However, in comparison to the other options, establishment of an on-site center limits both employee and employer choices, requires greater involvement by employers, and increases their liability risks.

A consortium arrangement is similar to an on-site center and shares most of its advantages and disadvantages. Its distinctive advantage is that costs and commitments are shared among several employers. However, control by any one employer is lessened by the need to coordinate among several employers.

Child care voucher arrangements do not require the employer to provide child care directly. Using existing community resources, this option gives employees a wide degree of choices. However, the employer has virtually no control over the service provided and this option does nothing to increase the overall supply of services available.

Vendor programs likewise take advantage of existing community resources and enhance community relations. This approach may also eliminate an employer's liability. But the vendor system, like on-site centers, narrows the choices available to employees and offers no benefit at all to those who prefer in-home arrangements for their children.

For an entity as large, diverse, and decentralized as the federal government, any of these options might be the preferred one in specific locations. On a governmentwide basis, a choice among these options might well depend more on specifications within the options—such as eligibility criteria and the dollar commitment per employee or dependent—than on intrinsic differences among them.

ne Private Sector eports a Wide ariation in Costs

Reported costs of both start-up and operating expenses for dependent care show an extremely wide variation. Costs vary because of differences in program specifications, regional wage rates and property costs, and variations in the levels of parental contributions required and employers' in-kind support amounts. In one study, for example, employers reported start-up costs for on-site centers ranging from $300 to nearly $1 million. The Conference Board reports that the annual cost of any out-of-home care for one child ranges from $1,500 to $10,000 annually, with highest costs reported for the northeast and lowest for the south.

For employer-sponsored day care centers, our review of the literature on annual operating costs showed a range of $1,579 to $4,901 per child. The lower figures apply to centers in hospitals in the west and south; the higher figures are for centers sponsored by businesses in the northeast. The Conference Board concluded that the majority of parents pay about $3,000 annually for child care services. The extent to which employers subsidize this cost varied widely. For example, Polaroid reimbursed between 5 to 80 percent of its employees' child care expenses based on a sliding scale according to income. The Ford Foundation reimbursed about 50 percent of participating employees' costs. In no case did any employer pay the entire cost of the center.

ported Benefits to nployers

The literature contains considerable testimonial evidence that employers gain advantages from providing child care benefits to their employees. Surveys of employers reveal that most employers with child care assistance programs believe that they are beneficial for recruitment, improved morale, reduced tardiness, absenteeism and turnover, community image, tax avoidance, and workforce productivity. However, few studies have attempted to quantify these benefits and compare them to the costs of providing child care assistance. Three studies we reviewed made an attempt to compare the work-related behavior of employees using the child care services with that of other employees. None of these three studies, nor any other research that came to our attention in this review, adequately established in our opinion a causal relationship between providing child care services and cited benefits to the employer. (See app. I.) The literature we reviewed confirms reports by the Bureau of National Affairs[5] and The Conference Board that reliable empirical evidence establishing a positive cost benefit ratio for employer-supported day care has not been developed.

[5]The Bureau of National Affairs, Inc., is a private national publishing firm in Washington, D.C.

Some Benefits Are Not Applicable to the Federal Government

While some benefits, such as reduced employee turnover and improved morale, cited by private sector employers may be translatable to the federal government, others are not. In particular, because federal agencies do not pay taxes, tax savings reported by profitmaking corporations are not a relevant consideration for the government. Tax savings constituted from 35 to 43 percent of total benefits reported in two corporate case studies we examined. Also, savings from absentee reductions may not be as relevant to the federal sector. Federal employees must use annual leave, compensatory time, or leave without pay when it is necessary to be absent to care for children. The establishment of reliable day care arrangements for federal employees might alter the purpose for which employees use earned time, but it would not affect the amounts earned and taken. However, the federal government may incur the same productivity gains as private sector employers from reducing unplanned absences.

Response to Federal Employees' Needs for Child Care

There can be little doubt that federal employees, like workforce members in general, have child care needs. In a random sample survey of executive branch employees we conducted in late 1984, 28.7 percent of the respondents reported that they had children at home who required care or supervision during the workday. By projecting these figures to the total executive branch work force, and assuming that federal employees have families the same size as families in the general population,[6] we estimate that federal employees have approximately 700,000 pre-school children.

The primary initiative by federal agencies to assist employees with child care needs has been the establishment of on-site day care centers. As of June 1985, there were 26 such centers for children of civilian employees: 11 at federal agency buildings in Washington, D.C., 1 at a Coast Guard facility in New York City, 13 at Veterans Administration medical center facilities around the country, and 1 center in Boston, which is a consortium arrangement. Since June 1985, new centers opened at a National Aeronautics and Space Administration research facility in Cleveland and at the Department of Transportation in Washington, D.C. In addition, the Internal Revenue Service is studying various alternatives that could be available to its employees nationwide. On the other hand, child day care centers once sponsored at two agencies in Washington, D.C., have closed. (See later discussion.)

[6]A Bureau of Census report, Household and Family Characteristics: March 1984, indicates that the average number of children for families with children under 6 years of age was 1.35.

We contacted eight operating centers. All of them received start-up funding from sponsoring agencies. The agencies also provide continuing support in the form of space, utilities, and maintenance services. Other day-to-day operating expenses are borne by tuition and parental fund-raising activities.

Start-up costs, which we could identify, ranged from $7,373 to open a center for 126 children in the Veterans Administration Medical Center in North Chicago to $478,100 to open a Department of Labor facility for 100 children. (Both centers opened in 1977.) Operating expenses, except for agency operating support, averaged $3,086 annually per child at all eight centers. This cost is borne almost entirely by tuition charges.

We estimated the value of agency operating support at an average of about $1,300 a year per child for the six centers where such support costs could be determined. Total expenses, including agency contributions, amounted to $3,480 a year per child at the lowest cost facility, in the Department of Education, to $6,781 at the highest-cost facility, at the John F. Kennedy Federal Building in Boston. For these six centers, the overall average annual cost per child was $4,752.

Multiple Obstacles Hinder Agency Child Care Initiatives

If the other agency-supported child care programs are comparable in enrollment to the eight centers we contacted, only about 1,500 children are now enrolled in federal child day care centers. This contrasts with an estimated potential total of more than 700,000 pre-school children of federal employees.

In an effort to determine why more civilian agencies have not established child care programs for their employees, we queried the Executive Directors of the Federal Executive Boards in the 10 standard federal region headquarters cities. We received responses from 9 of these 10 Boards. The single most important obstacle to child care initiatives reported by these officials was the lack of available funding to meet the high estimated costs.

The Comptroller General has ruled that, when necessary to the execution of agency functions, an agency can donate space rent-free and pay any expenses associated with establishing a day care center. (B-39772-O.M., July 30, 1976) However, the Comptroller General has not specifically addressed whether an agency may use its appropriated funds to operate day care centers in the absence of specific statutory authorization. Generally, operating costs have been provided through tuition and

other outside funding. Providing more financial support for these centers or expanding assistance through other dependent care options should be done only if the Congress enacts legislation specifically authorizing these activities.

In addition to the funding obstacle, responses from the Executive Boards indicated that other obstacles hinder establishment of day care centers. These include lack of available space, competition from private day care centers, restrictive building codes, regulatory standards, and negative publicity about child abuse at certain private day care centers.

Child care centers at the Equal Employment Opportunity Commission (EEOC) and the National Oceanic and Atmospheric Administration (NOAA) in Washington, D.C., have closed. At the EEOC center, costs exceeded revenues because of low enrollments and delinquent tuition payments; and many employees felt that more competitive service was offered by other equally convenient centers. At the NOAA center, delays in opening the center discouraged some potential employees from using the center and it was never able to attract enough children to be economically self-sustaining.

Overall Cost of Providing Child Care Depends on Program Specifications

The estimated total cost of providing child care assistance to federal employees depends on the eligibility criteria used, the number of children who participate, per-child cost assumptions, and the level of subsidy provided by the employing agency. All of these factors can be variable. We estimated costs to the government for several alternatives, which do not exhaust the potential range of all alternatives available.

Private sector employers report that on-site centers are used by as few as 4 percent or as many as 20 percent of the employees, and annual operating costs ranged from about $1,500 to $5,000 per child. Thus, for an on-site center or consortium program, estimated total annual costs to the federal government might range from $10.5 million to $875 million, depending on participation, per-child cost, and the level of government subsidy. (See app. IV.)

Because a voucher or vendor program would reach larger numbers of employees and their children, its total costs would be higher but again would be heavily dependent on program specifications. The lowest estimate—based on a 10-percent subsidy level, a low annual per-child cost of $2,500, and restrictive eligibility criteria that would exclude 525,000 of the estimated 700,000 pre-school children—would amount to $43.8

million in overall costs to the government each year. Using an alternative assumption that nearly all federal employees with children would take advantage of the benefit, that annual costs per child would be in the range of $3,000 (which is reported by the Conference Board to be what most parents pay) and a subsidy level of 50 percent of costs, a child care voucher or vendor program for federal employees could cost as much as $1.05 billion a year (in addition to the tax revenue foregone under the dependent care tax credit for which federal employees are eligible). (See app. IV.)

Detailed information on the private sector's involvement in, the benefits reported on, and the costs associated with day care assistance programs is provided in appendix I of the report. Advantages and disadvantages of the four day care assistance options considered during this review are provided in appendix II. Detailed information on the federal government's involvement in day care assistance programs is provided in appendix III. Information, including cost estimates, for establishing a governmentwide child care assistance program is provided in appendix IV.

As arranged with the requesters' representatives, we will send copies of this report to Chairwomen Oakar and Schroeder and Senators Bingaman, DeConcini, Durenberger, Eagleton, Hawkins, Inouye, Levin, Mathias, Trible, and Warner. Unless the report's contents are publicly announced earlier, we plan no further distribution of the report until 10 days from the date of the report. We will then send copies to federal agencies, the directors of the child care centers located at federal agencies which we contacted, and other interested parties.

William J. Anderson
Director

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Abbreviations

BNA	Bureau of National Affairs, Inc.
DOT	Department of Transportation
EEOC	Equal Employment Opportunity Commission
FEB	Federal Executive Board
GAO	General Accounting Office
GSA	General Services Administration
IRS	Internal Revenue Service
NASA	National Aeronautics and Space Administration
NOAA	National Oceanic and Atmospheric Administration
VA	Veterans Administration

Child Care Assistance Programs in the Private Sector

In recent years, the need for quality dependent care has received growing attention in the United States. This increased attention has resulted from the growing number of women in the American work force over the past three decades. With a sustained influx of females into the work force, the majority of American children are growing up in homes where both parents, or the sole parent, are employed outside the home.

This appendix summarizes data on the costs and benefits of providing dependent care as they have been reported by private sector employers.

Historical Perspective

As early as the Civil War, employer-supported day care was provided to enable women to work in hospitals and factories. Industry-based child care was also prevalent during both World Wars when women were needed to work in war-related industries.

During World War II, approximately 4,000 day care centers were established with government funds provided under the Lanham Act. For example, the Kaiser Shipyards in Portland, Oregon, established two child care centers which were open year round, 24 hours a day, and also provided a wide variety of services to working mothers, including laundry services and carryout dinners. After the war ended, the industry-related centers were closed, most working women returned home, and day care once again became a family responsibility.

In 1967, interest in industry-related day care revived when changes in the tax laws, permitting rapid tax amortization of capital expenses for on-site child care centers, made day care appear profitable and when the growing prominence of women's issues made day care a socially relevant undertaking. Nevertheless, by 1972, only approximately 18 corporations had established on-site day care centers and all but three of these centers eventually closed. In the 1970s, day care centers closed because: (1) they were not economically viable for the employers, (2) space was needed for other business purposes, (3) they encountered administrative problems, and (4) not enough employees used the centers.

Recent Trends in Employer-Supported Day Care

New interest in employer-sponsored child care emerged in the late 1970s, sparked by the dramatic increase in the number of mothers entering the work force and the increase of single-parent families. Between 1970 and 1980, the proportion of mothers who held jobs outside the home increased from 38.8 to 52.8 percent—a proportion

expected to increase to 64 percent by 1990. The Conference Board also estimates that by 1990, 20 percent of children under the age of 6 will live in single-parent homes. Furthermore, employers facing shortages of trained personnel saw day care assistance as an effective recruitment tool and image builder. Hospitals in particular found it advantageous to provide child care services as a means of attracting and keeping nurses and other medical personnel who were in short supply.

The Economic Recovery Tax Act of 1981 provided additional encouragement for employer-supported child care assistance programs. Under this law, employees need not include in their taxable income amounts paid by their employers under qualified dependent care assistance programs. Also, employers are allowed to deduct, as an employee fringe benefit cost, all payments into such programs.

By 1978, there were 105 employer-supported child care initiatives in the United States. This number grew to 415 by 1982, and is currently estimated at about 1,800 by The Conference Board. Of this number, about 550 are on-site centers, 400 of which are operated by hospitals. Approximately 300 companies assist employees through information and referral programs; and another 100 offer after school care, sick child care, or support for family day care. According to Dr. Dana Friedman, a Senior Research Fellow at the Work and Family Information Center, The Conference Board, the most rapidly growing form of child care benefit is direct financial assistance, with about 825 employers offering some form of financial assistance to employees.

In the nonfederal public sector, New York and California are the only states which have actively promoted and sponsored child care programs for children of state employees. New York, in conjunction with its six unions, took the initiative to provide child care assistance to its employees in 1981 with a grant for a pilot day care center in Albany. As of September 1985, there were 23 worksite day care centers enrolling some 1,200 children across the state. Another 10 centers were under development at state university campuses for use by employees and students of the universities.

On July 25, 1985, California enacted legislation that provided for a fund of $1 million to be used to encourage development of child care programs for children of state employees. The law specified that the programs may include financial assistance to aid in the development of child care centers administered by either nonprofit corporations formed by state employees or other child care providers.

Two points may be made regarding recent trends in employer-supported child care. First, it should be noted that, in spite of the large increase in the number of employer supported child care initiatives since 1978, the estimated 1,800 programs represent a small percentage of all employers in the United States. Second, the emphasis of the 1980s no longer appears to be on the on-site center, but rather on subsidizing day care costs. According to Dr. Friedman, employers have apparently learned from the closings of on-site centers and now see the on-site center as an inappropriate option, given the adequacy of services in the community, the preferences of parents, and the special needs of all children. Dr. Friedman reports that "The clear corporate preference is to help workers buy into the existing system through information, discounts, vouchers, and flexible benefits."

The Role of the Federal Government

A variety of federal programs support private sector child care. The dependent care tax credit, which is the largest indirect source of federal support, is available to the U.S. work force in general. Federal revenue foregone under the dependent care tax credit was $2.1 billion in calendar year 1983, according to an April 1985 report by the Congressional Research Service. The largest direct source of federal funding is the Social Services Block Grant (Title XX of the Social Security Act), intended to benefit low-income families. In 1981, the last year that states were required to submit detailed reports on the use of block grant funds, estimated federal expenditures for day care in these programs were $715 million. Federal funds for day care are also provided under such programs as Aid To Families With Dependent Children, Child Welfare Services (Under Title IV-B of the Social Security Act), Head Start, the Child Care Food Program, the Job Training Partnership Act, and the Community Development Block Grant Program.

Options for Providing Child Care Assistance

For the employer who chooses to establish a child care assistance program, a variety of options exist. Among these are the on-site center, the consortium, and reimbursement programs, which may be in the form of payments made directly to the parent (vouchers) or to the provider of the child care (vendor). In addition, some employers accommodate working parents by instituting flexible work schedule policies, while still others make information and referral services available to employees.

On-Site Centers

Of all the options available to employers to support child day care, probably the most visible and well-known is the on-site center. However, on-

site centers are the exception, rather than the rule, except among hospitals, where the need to attract and retain nurses and the availability of support services from the institutions have made on-site child care a more commonly offered benefit.

By definition, on-site centers are located on or near the premises of the employer and may be operated as a component unit of the company or as an independent corporation. Some companies set up the centers as wholly owned subsidiaries which can operate as tax losses. Corporate financial support may include both start-up and operating costs.

Of the estimated 120 employer-sponsored on-site centers not in hospitals, very few were started before 1972. One company, the Stride-Rite Corporation in Boston, Massachusetts, opened its day care facility in May 1971. In opening its center, Stride-Rite's objective was to provide day care for the children of its employees and those in the surrounding community. Since opening its doors, the center has doubled its capacity and now accommodates 50 children between the ages of 33 months and 6 years. Company sponsorship, parent participation, careful staffing, and outside sources of funding (such as a state government lunch subsidy) have all helped the Stride-Rite Center work. Other companies which have on-site centers include: Neuville-Mobil Sox, Inc., a North Carolina manufacturer of hosiery; The First Atlanta Corporation, a bank holding company in Georgia; Corning Glass Works in New York; the Zale Corporation in Texas; and Syntex in California.

Not all on-site centers have worked as well as the Stride-Rite facility. A 1981 study by the Bureau of National Affairs found that 11 percent of the firms who had child care centers rated them as unsuccessful. An example is the Vanderbilt Shirt Company in Asheville, North Carolina, which closed its on-site center after 6 years because of declining employee utilization.

Child care experts do not see rapid growth in the number of on-site centers in the near future. Karol Rose, a principal in Children at Work, Inc., views the on-site center as "the least likely option for a lot of employers and a lot of employees." Further, Alfred J. Kahn, a professor at the Columbia University School of Social Work in New York, shares this opinion. He states "Almost everyone who knows anything about the field doesn't think on-site centers are good ideas," adding that they make sense only in special situations, such as when an employer has a specialized labor force living near the plant and there are no community services available.

Consortia

In a consortium, employers jointly establish a day care center which can be used by the children of those who work for the sponsoring companies. Situations in which the consortium could be an appropriate choice include a large office building serving several organizations, an industrial park, or a downtown area with several employers. The consortium could also be particularly appropriate for use by small businesses which would be unable to support centers individually.

The Broadcaster's Child Development Center in Washington, D.C., is a consortium which was established in 1980 by local television and radio stations and the National Academy of Television Arts and Sciences. The Center is licensed to care for up to 60 children ranging in age from 3 months to 5 years. However, only about 25 percent of the children who use the center have parents who work for one of the supporting companies.

Another example of the consortium approach is the Downtown Day Care Center in St. Louis. Begun in 1978, the center has had continuing financial and in-kind support from a number of businesses in the downtown area. The center serves up to 60 children ages 2 years through kindergarten age, but only about 30 to 40 percent of them have parents who work for one of the companies providing support.

Voucher and Vendor Programs

Voucher and vendor programs are designed to help employees meet the costs of child day care in facilities of their own choosing. Under these programs, employers make payments directly to the parent in the form of a voucher, or payment can be made to the provider of the child care. The latter is referred to as a vendor arrangement. These programs can be appropriate when there is an adequate supply of child care available in the community, but where affordability is a problem.

According to a 1985 estimate by Dr. Friedman, about 25 firms provide child care vouchers to employees. Some of these voucher programs are based on family income; some place limits on the children's age; and some pay a specified percentage of child care costs. For example, Polaroid in Cambridge, Massachusetts, and the Ford Foundation in New York City both reimburse employees for a portion of their child care costs. Eligibility in each program is based on a specific maximum family income. For Polaroid's participants, the amount of the assistance is based on a sliding fee scale according to income and ranges between 5 to 80 percent of child care expense. The Ford Foundation reimburses 50 percent of the child care costs. (See later discussion on costs.)

Endless Vacations Systems, Inc., implemented a vendor program for its employees in 1984. Under this program, Endless Vacations contracted with Kinder-Care Learning Centers, Inc., to give its employees a 20-percent discount on the cost of child care at a Kinder-Care Center. One-half of the discount is paid by Endless Vacations and the remainder is absorbed by Kinder-Care.

Other Child Care Assistance

Employers may use other means to assist employees with their child care responsibilities. Among these are information and referral services, flexible work arrangements, and flexible benefit plans.

Information and Referral

An information and referral program gives employees information about child care providers in their communities. According to Dr. Friedman, such services are provided by approximately 300 companies. Information can be made available through distribution of printed materials, by referrals on the telephone, or in personal interviews. Employees may receive general information or the information could be more specific, matching needs with available openings. In addition, information and referral services may also help parents understand the complexities of the child care market and give them the information needed to make informed choices, work with child care providers to improve the quality of care in the community, and act as child care advocates in the community to promote the development of needed services.

Flexible Work Arrangements

There are a variety of ways in which employees can be given flexibility in their work arrangements. Such policies as alternative work schedules,[7] maternal and paternal leave, job sharing, and part-time employment can help working parents to balance the demands of work and family life. These policies allow parents some latitude in arranging their work schedules to accommodate child care needs, but they do not offer the solution to all child care concerns. In a 1984 survey of federal executive branch employees, 517 of 625 respondents told us that the federal

[7]Alternative work schedules allow employees to vary (within constraints set by the employer) the time they report to work and depart from work. In some programs, the work week can also be compressed to less than the normal 5 days.

alternative work schedule program enabled them to meet certain family obligations without having to take leave.

Flexible Benefit Plans

Flexible benefit plans, or "cafeteria" plans, allow employees to choose benefits from a "menu" of benefit possibilities. The presence in the work force of women, two-earner families, single parents, and older and younger employees—as well as changing and varying expectations of these groups—points up the problem of satisfying a diverse work force with one traditional set of benefits. Flexible benefit plans have particular appeal to companies considering child care because, under this system, the child care benefit is less likely to be perceived as inequitable by other employees. Each employee has the opportunity to choose benefits to fit his or her own needs. According to The Conference Board, there were an estimated 600 flexible benefit programs in place at major corporations in late 1984, and between 50 and 75 percent of them included child care as an option.

Reported Costs of Child Care Programs in the Private Sector

While there is extensive literature on the costs of various child care programs, it is not always specific as to what is included in the cost categories used or how certain figures are determined. There are also significant regional differences in the costs of child care. Child care is most expensive in the Northeast and cheapest in the South. According to The Conference Board, these regional variations can result in the cost of out-of-home care for one child ranging anywhere from $1,500 to $10,000 annually; the majority of parents, however, pay about $3,000 per year for child care services. Further, the cost of employer child care assistance varies depending on program specifications, such as the number of children eligible and served and the amount of subsidy provided. We did not find any instance in which an employer financed 100 percent of the child care costs.

Because of the factors discussed above, it is difficult to measure and compare the costs of the child care assistance being provided in the private sector. Because of the decisions which influence a company's support for child care assistance to its employees, there are significant variances in both start-up and operating costs of employer-sponsored programs, as reported in the literature. For example, in a survey done by Renee Y. Magid, an assistant professor in the Education Department of Beaver College, Pennsylvania, employers reported start-up costs for on-site centers, or participation in a consortium center, ranging from $300 to nearly $1 million. Vendor and voucher arrangements, as well as

information and referral programs, had start-up costs as low as $350 and as high as $500,000. In the same survey, company respondents who provided operating cost informati n (primarily those with child care centers) reported average annual operating costs per child ranging between $70 and $4,000. Because the start-up and operating costs vary so widely, we have included specific examples which have been reported in the literature.

On-Site Centers

A 1981 estimate by Hewitt Associates placed start-up costs for a center for 25 to 75 children at $50,000 to $150,000 with an estimated annual operating budget of $70,000 to $250,000.

Many factors affect both start-up costs and operating budgets of on-site centers. Factors affecting start-up costs include the type of day care program provided, the geographic location, the number of children served, availability of existing facilities, and applicable regulatory standards. Operating costs vary with such factors as geographic location, number and ages of children served, options offered, and staff to child ratio. For example, day care for infants usually requires hiring more staff and meeting more stringent building codes.

Cost is frequently cited as a reason that employers do not establish on-site centers. Nonetheless, there are advantages to on-site centers which lead some employers to choose this approach. Examples of programs which have appeared in the literature are discussed below. The literature also indicates that there may be other costs associated with these programs that have not been identified.

In 1981, Neuville-Mobil Sox, Inc., in North Carolina, set up an on-site child care center to serve a total of 39 children. Start-up costs for the renovation and equipping of the center were $42,500. In addition, the company provides a $30,000 annual subsidy for the center's operating costs. Assuming that the reported weekly fees to the parents of $25 per child cover the remainder of the operating costs, the total annual operating costs would be approximately $80,700, for an average annual cost per child of $2,069.

First Atlanta Corporation in Georgia opened a child care center, which is licensed to care for 40 children, in 1983. Start-up costs, including renovations, totalled $130,225 for the 2,200-square-foot center. Parent fees were set to cover the entire $100,000 annual operating cost of the

center, at full capacity. With the capacity of 40 children, the average annual operating costs per child are $2,500.

Stride-Rite Corporation in Boston, Massachusetts, opened its day care center in 1971. The office space which the center occupies was renovated and equipped at a cost of approximately $40,000. The center was later enlarged to accommodate 50 children. The total operating budget is $169,000 a year, or $3,380 each, for 50 children. Although this is about $65 per week per child, the tuition for Stride-Rite employees is 10 percent of their salaries.

Other on-site programs for which start-up cost information was available included programs at Zale Corporation in Dallas, Texas, Corning Glass Works in Corning, New York, and American Savings in Stockton, California. The Zale Child Care Center, which has the capacity for 70 children, was built at a cost of $180,000. Corning's Children Center had start-up costs totalling $40,000 and the capacity for 50 children. American Savings opened its "Little Maverick School of Learning" in what had been an inner-city church. American Savings spent $350,000 to purchase the church building and another $200,000 to renovate it. The 33-room facility serves 135 children who range in age from 2 to 10 years.

Information in the literature on the operating costs of certain day care centers is presented in table I.1.

Consortium Arrangements

There is little information in the literature on the cost of consortium arrangements. The Broadcaster's Child Development Center in Washington, D.C., and the Children's Village in Philadelphia, Pennsylvania, are the only consortia for which detailed cost data appear in the literature reviewed.

Table I.1: Operating Costs of Day Care Centers at Selected Companies[a]

Name of firm	Total annual operating costs	Number of children	Average annual cost per child
Parkview Hospital, Pueblo, CO.	$ 90,000	57	$1,579
Spartanburg General Hospital, Spartanburg, SC.	250,000	150	1,667
Hutchinson Memorial Hospital, Fort Oglethorpe, GA.	154,000	74	2,081
Mercy Medical Center, Coon Rapids, MN.	130,000	60	2,167
PCA, Inc., Matthews, NC.	380,000	175	2,171
Huntsville Hospital, Huntsville, AL.	100,000	45	2,222
Sioux Valley Hospital, Sioux Falls, SD.	324,000	135	2,400
Intermedics, Freeport, TX.	710,000	260	2,731
Wang Laboratories, Chelmsford, MA.	233,200	65	3,588
Abt Associates, Cambridge, MA.	249,970	51	4,901
Averages	$262,117	107	$2,450

[a]Comparisons of the centers' budgets may not be accurate, because not all variables which influence costs are taken into consideration and some of the figures may not be complete. Furthermore, the figures may be from budgets for different years.

The Broadcaster's Child Development Center received start-up donations of $39,000 from the National Academy of Television Arts and Sciences and local television and radio stations. In addition, some services, such as legal assistance, were also contributed. The Center estimated the per child cost to be about $3,000 a year. Based on the center's capacity of 60 children, total annual operating costs would be about $180,000.

The Children's Village, which opened in 1976, was established to help meet the child day care needs of Philadelphia's garment industry workers. Children's Village was the result of cooperative efforts of several forces including the garment unions, the state government, private employers, and local foundations. Start-up costs for the 125-child center totalled $150,000, including a $40,000 kitchen. The weekly fee ranged from $6.00 to $42.50 according to income and family size. Children's Village estimates that the annual operating costs per child average $3,716, of which parents paid approximately 20 percent. Based on these figures, total operating costs would be about $465,000.

Voucher and Vendor Programs

In the literature reviewed, there is some disagreement as to the cost of the voucher and vendor options. One author cited the low start-up costs, predictable on-going costs, and lack of capital investment requirements as characteristic advantages of these options. However, other authors

cited the voucher system as one of the most costly options an employer might choose. Ultimately, the cost to the employer of these programs depends largely on the amount of the company's payment, the eligibility criteria for employee participation, and the number of participants.

The Ford Foundation in New York City has a voucher program. The Foundation initiated its Child Care Assistance Policy in 1972 in order to help its employees, particularly those least able to pay, meet the cost of child care. The vouchers are available to full-time employees whose gross family income is under $32,000. According to the Foundation, this income level effectively limits eligibility to support staff rather than professional staff. The Foundation has a staff of about 300, many of whom are beyond the typical childbearing age. Thus, participation in the program has never been very high, with the number of staff participating not exceeding 28 at any one time. Under the program, eligible employees are reimbursed for 50 percent of their child care costs up to maximum amounts determined by the Foundation. The highest annual cost of the Ford Foundation's program has been $15,676, with annual cost per participating employee ranging between $386 and $875. In 1984, the most recent year for which cost information is available, the total cost was $11,144 with an average benefit per participating employee of $743.

Based on information contained in a 1985 report prepared by Dr. Friedman, cost data for four other voucher programs indicate average annual costs ranging from $750 to $1,200 per participating employee. The total program cost reported by these four companies ranged from $10,000 to $120,000 a year. Two of the companies subsidized 50 percent of their employees' child care expenses while the other two companies provided a set amount of financial assistance—one was $100 a month and the other was $3.50 a day.

An example of a vendor program is Philip Crosby Associates, Inc., a consulting firm in Winter Park, Florida, which implemented a vendor program for its employees in 1982. The vendor approach was chosen because the small size of the company, 110 employees, seemed to rule out an on-site center. Under a contract with Community Coordinated Child Care in Orlando, Florida, the children of program participants may be in any one of the 90 child care centers with which Community Coordinated Child Care subcontracts. Philip Crosby pays $27.50 per week per child for each employee using the benefit. The employee pays the difference between the company's subsidy and the cost of the center selected. Child care costs are about $50 per week in the area. Therefore,

the subsidy covers roughly half the cost of care. With only 3 or 4 of the 110 employees participating, the company's total subsidy averages $4,300 to $5,700 annually.

We were able to locate cost information for four other vendor programs. The yearly benefit per employee in these four vendor programs ranged from $100 to $500. Total program costs to employers ranged from $1,500 to $50,000 a year. Between 2 and 4 percent of all employees participated in these four programs.

Reported Benefits of Providing Child Care in the Private Sector

Researchers have reported that employers who provide child care assistance to their employees can expect certain benefits, such as an enhancement of the company's recruitment efforts and its public image, a reduction of turnover and absenteeism, and an increase in worker productivity. In reviewing literature that addresses these benefits, there appears to be general agreement by the authors that little sound analysis has been conducted and that the benefits to employers are difficult to quantify. For example, the effects of child care assistance on employee morale and job satisfaction have generally been determined subjectively. However, a few researchers have attempted to quantify the benefits derived by employers from providing child care assistance, and some private sector employers have reported positive effects of providing child care to their own employees. Some of the benefit studies have been criticized by other researchers for the lack of either (1) sound methodology or (2) a demonstrated cause and effect relationship between the provision of child care and the reported benefits. This lack of research may also be an obstacle to the growth of employer-supported child care. Further, some benefits observed in the private sector are not applicable to the federal government.

Research Studies of Dependent Care Benefits

Researchers have attempted to define the benefits accruing to employers as a result of providing child care assistance to employees. One researcher, Deanna Tate of Texas Women's University, has reportedly found that "for every dollar invested in child care programs, a company can reap between a $3 and $6 profit." Tate's analyses and conclusions, however, were based on reviewing only three companies. We were unsuccessful in obtaining Tate's original work and thus have relied on secondary information. Therefore, we know very little about her methodology, how or if she demonstrated a causal relationship, or how she estimated the value of the benefits to these three companies.

Three studies we reviewed, which were presented by (1) Kathryn Senn Perry,[8] 2) Renee Y. Magid,[9] and (3) the Appalachian Regional Commission, relied on testimonial evidence of the benefits accruing to employers. For example, these researchers asked employer representatives for their perceptions of how child care programs affected or might affect employee behavior. Based on their analyses of the testimonial evidence, these researchers concluded that employers could expect specific benefits, such as lower absenteeism, reduced turnover, and enhanced recruitment efforts, from providing child care assistance to employees.

Another study, conducted by Sandra L. Burud, Pamela R. Aschbacher, and Jacquelyn McCroskey,[10] also relied on testimonial evidence. But this study also included some information, obtained from companies responding to a questionnaire, on the costs of providing child care assistance and the value of the reported benefits. These researchers indicated that, based on the data gathered, it appeared that providing child care services to employees reduced turnover and absenteeism, enhanced recruitment efforts and the company image, and increased productivity. These researchers also stated, however, that a direct causal relationship between providing child care assistance and the reported benefits cannot be shown because they (1) did not gather information over time and (2) did not control for other variables.

In three other studies we identified during our review, researchers attempted to compare behavior of employees participating in company sponsored child care programs with that of employees not being provided such assistance. A 1972 study by Doris N. Krug, Vernon E. Palmour, and Marcia C. Bellassai[11] concluded that the availability of a child care center had no effect on parents' decision to seek and accept employment or on employee absenteeism and tardiness. The study found no evidence that employees were absent or tardy less after a center was

[8]Survey and Analysis of Employer-Sponsored Day Care in the United States. Doctoral Dissertation. University of Wisconsin - Milwaukee, 1978.

[9]Assistant Professor, Education Department, Beaver College, Glenside, Pennsylvania.

[10]Employer-Supported Child Care: Investing in Human Resources, National Employer Supported Child Care Project, 1984.

[11]Evaluation of the Office of Economic Opportunity Child Development Center, Westat, Inc., December 1972.

opened than they had been before its opening. The other two studies, which are summarized below, reached somewhat different conclusions.

Milkovich and Gomez

In 1976, the Academy of Management Journal printed a study entitled Day Care and Selected Employee Work Behaviors written by George T. Milkovich and Louis R. Gomez of the University of Minnesota. The study concluded that in one particular instance reduced absentee and turnover rates were related to the provision of child day care, but no relationship to job performance could be observed.

Milkovich and Gomez gathered data for a 20-month period at the Northside Child Development Center which opened in Minneapolis in 1971. A sample of 30 mothers with children enrolled in the program was compared to a sample of 30 mothers of young children who were not enrolled in the program and a sample of 30 employees with no children who required day care. Milkovich and Gomez computed the absentee rate on a monthly basis by dividing the total number of scheduled work hours into the total number of hours absent. The turnover rate was calculated by dividing the total number of employees resigning or retiring monthly by the total average number of employees for each month. Milkovich and Gomez analyzed job performance by comparing supervisory performance appraisal ratings.

When Milkovich and Gomez averaged the monthly rates, they found that mothers whose children were enrolled in the center had absentee and turnover rates of 4.40 percent and 1.77 percent, respectively; nonparticipating mothers, 6.02 percent and 6.30 percent; and other employees, 5.00 and 5.50. They also found that 80 percent of all the employees included in the three samples were rated by their supervisors as performing satisfactorily; therefore, no relationship between the provision of child care and job performance could be established.

Dawson

In August 1984, the Foundation of Human Service Studies, Inc., and CSR, Incorporated, published a study entitled An Experimental Study of the Effects of Employer-Sponsored Child Care Services On Selected Employee Behaviors written by Ann Gilman Dawson, Cynthia Sirk Mikel, Cheryl S. Lorenz, and Joel King for the U.S. Department of Health and Human Services.

The purpose of the Dawson study was to determine whether different types of employer sponsored child care services produced varying

effects on employee behaviors. The researchers gathered data from 39 companies and hospitals located in the northeastern and midwestern states and their employees. The companies and hospitals from which data was collected provided either on-site child day care centers, off-site day care centers, information and referral services, or no child care services. The researchers asked the employers to provide attendance data for one full year on 891 selected employees, turnover rates for all of their employees, and, where applicable, data on turnover of employees using the child care service. Questionnaires were distributed to 311 selected employees; approximately 80 percent of these employees responded.

This study reported the following findings:

- Employees utilizing on-site employer-sponsored child care centers were more likely than those employees using employer provided information and referral services to (1) indicate that the child care services influenced their decision to accept employment, (2) recommend their employer to other prospective employees, and (3) indicate that the child care service had a positive effect on their job performance.
- The provision of child care had a positive effect on employees' decisions to continue their employment, but this effect was not great.
- Employees provided either on-site or near-site child care were more likely to be able to work overtime or odd hour shifts.
- Turnover rates for employees utilizing on-site or off-site centers dropped significantly.

The Dawson study also reported that there was no significant relationship between the type of child care service provided and the acceptance of a promotion. Further, the study concluded that it appeared unlikely that a statistical relationship could be demonstrated between absenteeism and employers providing child care services.

Benefits Have Also Been Reported by Private Sector Employers

A number of private sector companies have reported that providing child day care services to their employees resulted in benefits to the company. The following statements made by company executives, as reported by the media or contained in company literature, describe how they view their child care programs:

- Stride Rite ". . . is undeniably an important factor in attracting and keeping desirable personnel."

- Corning ". . . has provided the company with recruiting advantages in attracting women of childbearing age, and with a unique advantage in community relations."
- Wang ". . . reaffirms the company's distinct dedication to productivity . . ."
- Ford Foundation ". . . is worth its costs . . ."
- Red Rope Industries ". . . cured absenteeism and turnover and created an excellent recruiting incentive."

Some companies have been even more specific concerning benefits derived from providing child day care services to their own employees. For example, Fel-Pro Industries, of Skokie, Illinois, said the opening of a summer day care camp for employees' children reduced its turnover rate significantly. The company reported that the turnover rate declined to less than 10 percent after the camp was opened compared to 30 to 40 percent previously. Fel-Pro representatives did not attribute this improvement to the day camp alone, however.

Nyloncraft, Inc., located in Mishawaka, Indiana, reported even more dramatic effects of providing child care services to its 250 employees. The company reported its turnover rate dropped from 360 percent to 10 percent and the once high absentee rate dropped to less than 3 percent after the day care center opened.

Caution Needed in Attributing Benefits to Employer From Providing Child Care Assistance

There is general agreement among researchers that limited analysis has been conducted on the benefits to employers, such as reduced absenteeism and turnover, of providing child care services to employees. Moreover, they have warned employers not to expect too much from the establishment of child care assistance programs.

Our review of the literature on employer-supported child care assistance shows that researchers agree that sound empirical evidence does not exist to support the proposition that benefits accrue to employers from providing such assistance. For example, according to the Bureau of National Affairs (BNA):

"Little sound analysis of the costs and benefits of child care assistance has been conducted, despite the great interest in the issue. Experts say many employers cannot correctly calculate the cost of providing the benefit because they do not know the value of space, employee time, and in-kind services that may be involved. The gains, such as improved morale and greater job satisfaction, generally have been documented subjectively."

Dr. Friedman of The Conference Board agrees with the BNA assessment and writes:

"While common sense would appear to support the notion that management will gain from the provision of services, there is very little empirical evidence to suggest that this is true. . . . The anecdotal evidence from existing programs is overwhelmingly supportive of child care as a management tool . . . managers based their conclusions on impressions and not empirical evidence. . . . Empirical evidence supporting the bottom-line value of company-sponsored family supports is scanty due (1) to a lack of research, (2) to lack of models on which to base research, and (3) to the difficulty in establishing a cause-and-effect relationship between provision of child care and subsequent reductions in management's problems."

In 1984, Thomas I. Miller, who is the Director of the Division of Research and Evaluation for the City of Boulder, Colorado, and teaches at the University of Colorado, examined empirical studies and testimonial evidence on the benefits of corporate-sponsored child care. He concluded:

"Despite enthusiasm by some chief executive officers, public relations officials and child care advocates, assertions that employer-sponsored child care reduced workers' absenteeism or tardiness, or that it increases workers' productivity or job satisfaction are not supported by credible research."

Miller limited his review to two studies which he said were the only ones he could identify that contained comparisons of the behaviors of parent employee child care program users to non-users. He examined the Milkovich and Gomez study, described on page 27 and the Krug, Palmour, and Bellassai study, described on pages 26 and 27. Miller said both studies had serious flaws, and he noted that they arrived at contradictory conclusions.

Miller said that the description of the evaluation design in the Milkovich and Gomez study was insufficient to demonstrate the comparability of the three samples. Miller indicated that it would be difficult to attribute the observed differences in absenteeism and tardiness to the corporate day care center rather than initial differences among the employees in the samples.

Miller observed that in the Krug, Palmour, and Bellassai study, the control group was older; more likely to be living with a spouse; and, on the average, was better paid. Miller believed that these differences in the

groups of employees compared could have affected their work behaviors regardless of their child care arrangements.

Miller observed that testimonial evidence from corporate executives claiming that the provision of child day care services resulted in benefits to the company constituted the bulk of the literature on the subject. Miller pointed out, however, that the corporate savings and efficiency improvements these executives reported were unsupported by any description of how the savings were derived. He also stated that these executives reported data based on "just 'a feel' for the benefits of the program."

A 1984 report prepared by Arthur C. Emlen and Paul E. Koren of Portland State University warned employers not to expect too much from opening a child day care facility. Two of the reasons why they said they would not recommend on-site day care centers were:

"It is not clear how feasible, sensible, or cost effective it is to concentrate resources on development of facilities such as on-site centers despite the popular belief in that solution. No single kind of child care resource can be expected to serve a large proportion of a workforce. Subsidizing one type of care creates inequity and controls consumer choices. In the long run, a freely operating child care market probably will be more responsive to family needs."

"Companies should not anticipate that facilities can markedly reduce child care related absenteeism. The evidence of this study suggests that all kinds of out-of-home child care arrangements extract a price in absenteeism for whomever in the family has the daily responsibility for managing the arrangements."

Similarly, Dr. Friedman suggested that it would not be wise to over promise the benefits of child care provisions until more longitudinal research with control groups and pre- and post-tests are conducted. Dr. Friedman also believes that the lack of research on the extent to which child care support can ameliorate management problems is a serious obstacle to the growth of company supported child care programs.

Advantages and Disadvantages of Various Dependent Care Options

While the first employers to provide dependent care assistance to employees usually established on-site centers, today many are considering and using other options. Also, the Economic Recovery Tax Act of 1981 created tax advantages for the other options. Consultants to companies investigating dependent care as an employee benefit now stress that no one option is superior in all corporate situations, and that a choice must be heavily determined by a particular employer's location, business characteristics, labor force composition and needs, and workplace goals.

Table II.1 summarizes the advantages and disadvantages found in the literature we reviewed of the four options included in our review—on-site, consortium, voucher, and vendor programs.

Table II.1: Advantages and Disadvantages of Various Dependent Care Options

Advantages	Disadvantages
On-site Center	
°Directly increases the supply of available services	°May be very costly
°Very visible to employees and community, thus, has a high public relations value	°Often does not serve all ages
°Employers may exercise more control over operations and quality	°Employer assistance limited to one choice
°Affords greater daily interaction between parent and child	°Serves a limited number of employees because of space constraints
°Minimizes employee transportation problems	°Facilities may not accommodate changes in needs over time
°Reduces employee "stress"	°Increases employer's liability risks
°Enhances employees' ability to work overtime	°Requires greater involvement by employers
Consortium[a]	
°Costs can be "shared"	°Requires a coordinated effort from all member employers
°Offers some protection against underutilization	
Voucher Program	
°Low start-up costs	°Costs vary depending on level of support and number of eligible employees
°Wider age group of children can be served	°Doesn't increase existing supply of services
°Allows parents to make own arrangements and to make changes	°Lower company visibility
°Uses existing resources in the community	°Employer may end up supporting programs of poor or marginal quality
°Employer can control degree of support	
°Employer doesn't have to get into the child care business	
°Could benefit a larger number of employees	
Vendor System	
°Low start-up costs	°Cost to company is variable
°Enhances community relations	°Doesn't increase existing supply of services
°Uses existing resources in the community	°Vendor(s) selected may not serve the needs of all parents
°Can contribute to better community care	°Less employer control over program
°Leaves the child care business to others	°May require advance payments for reserving spaces
	°Parents may feel they have less say about the services being provided

[a]The advantages and disadvantages of a consortium would be essentially the same as those noted for an on-site center, except as modified with the advantages and disadvantages shown.

Child Care Assistance Programs in the Federal Sector

The primary initiative of federal agencies to assist with employee child care needs has been the establishment of on-site child day care centers. As of June 1, 1985, there were 26 child care centers located at federal agencies; 11 of these centers were in the Washington, D.C., metropolitan area; 1 at the John F. Kennedy Federal Building in Boston, Massachusetts; 1 at the Coast Guard Installation in Governors Island, New York; and 13 at Veterans Administration Medical Centers. (In addition to these 26 centers, over 400 child care centers, serving about 53,000 military dependents, are located at military installations worldwide; these were not, however, within the scope of this report.)

We visited the following centers:

- Maenylie M. Reed Children's Learning Center, Department of Education, Washington, D.C.;
- Penthouse Nursery, Inc., Department of Health and Human Services, Washington, D.C.;
- HUD Child Development Center, Department of Housing and Urban Development, Washington, D.C.;
- Department of Labor Day Care Center, Washington, D.C.;
- Senate Employees' Child Care Center, Washington, D.C.; and
- Government Center Child Care Corporation, John F. Kennedy Federal Building, Boston, Massachusetts.

We also contacted officials at two child care centers located at Veterans Administration Medical Centers—the Paul K. Kennedy Child Care Center, Inc., North Chicago, Illinois, and the Corner Cottage Child Care Center, Ann Arbor, Michigan.

All eight child care centers we visited or contacted are governed by boards of directors, independent from agency management, who are responsible for hiring, staffing, and fiscal and operating policies. The centers varied as to length of time in existence, criteria for eligibility and selection of applicants, hours of operation, capacity, ages of the children cared for, and start-up funding provided by the agency, as shown in table III.1.

Table III.1: Characteristics of Child Care Centers at Federal Agencies

	Education	Health and Human Services
Year Opened	1971	1971
Eligibility	Accepts all applications	Accepts federal or D.C. government employee applications
Prioritization of Applicants	First come, first served	Agency employees given priority
Hours of Operation Monday through Friday	7:30 a.m. to 6:00 p.m.	7:30 a.m. to 6:00 p.m.
Capacity/Enrollment[a]	40	60
Ages of children	2 yrs. to 6 yrs.	18 mos. to 4 yrs.
Start-up Costs	$226,000 includes subsequent alteration and repair cost of $71,000	$127,280

Housing and Urban Development	Labor	U.S. Senate	Federal Building Boston	VA Medical Center North Chicago	VA Medical Center Ann Arbor
1978	1977, on-site center; 1972 previous off-site center	1984	1978	1977	1980
Accepts all applications	Accepts federal or D.C. government employee applications	Accepts Senate or other legislative branch employee applications	Accepts all applications	Accepts selected applications	Accepts all federal government employee applications
Agency employees given priority	Agency employees given priority	Senate employees given priority	Federal employees given priority	Agency employees given priority	Agency employees given priority
7:30 a.m. to 5:30 p.m.	7:30 a.m. to 6:00 p.m.	7:00 a.m. to 7:00 p.m.	7:30 a.m. to 5:30 p.m.	6:00 a.m. to 6:00 p.m.	7:00 a.m. to 6:00 p.m.
60	100	38	30	126	30
2 yrs. to 6 yrs.	18 mos. to 6 yrs.	18 mos. to 4 1/2 yrs.	3 mos. to 5 yrs.	4 wks. to 10 yrs.	2 wks. to 5 yrs.
$188,000 includes $10,000 loan for equipment	$478,100 includes $150,000 provided for first year of operation	$30,197 excludes cost of labor	$65,425 includes loan of approx. $14,000 for equipment	$7,373 includes labor, materials, and donations	$11,396 includes only cost of materials for building renovation

[a]In all cases, except for the facility at the Department of Labor, enrollments were at capacity. There were 80 children enrolled at the Labor facility.

Through licensing standards, state and local governments imposed a wide variety of requirements on most of these day care centers just as they would on private facilities. Licensing standards typically specify staff/child ratios, staff qualifications, record-keeping requirements, indoor space per child, and equipment requirements. In addition, licensing standards sometimes specify health, nutritional, and fire and safety requirements.

Three of these child day care centers—the U.S. Senate, the federal building in Boston, and the hospital in North Chicago—were not licensed by a state or local government agency. The Senate Employees' Child Care Center exceeds the District of Columbia licensing standards in some instances, such as the amount of indoor space per child and the staff qualifications. The center director told us that the original plan was to obtain a license from the District government, but this was opposed by the Office of the Architect of the Capitol on the grounds that a congressional facility should not be under local government jurisdiction. The director of the Government Center Child Care Corporation in Boston told us that all state licensing standards were met or exceeded, but state officials advised that they had no authority to issue a license to a center located within a federal facility. The director of the Paul K. Kennedy Child Care Center, Inc., in North Chicago told us that the center meets the Federal Interagency Day Care Requirements.[12]

Other Federal Agencies Are Establishing On-Site Centers

In addition to the 26 established day care centers, we found other federal agencies were actively investigating the child care assistance issue at the time of our review. For example, the NASA Lewis Research Center in Cleveland, Ohio, and the Department of Transportation (DOT) in Washington, D.C., were establishing day care centers for their local employees. The Internal Revenue Service (IRS) was identifying child care alternatives available to the agency nationwide.

NASA Lewis Research Center

After the issue was raised in labor contract negotiations, NASA's Lewis Research Center organized a committee in 1984 to study the feasibility of establishing a child care center. The committee conducted a survey of Research Center employees which determined that there was a desire for child care services.

[12]The Federal Interagency Day Care Requirements were established in 1968 to provide minimum program standards and regulations for operating federally funded child care programs. The requirements were suspended in October 1981 when federal funding for child care was included in block grants to states.

After assessing the availability of day care facilities in the area, the committee determined that an on-site center would be the most desirable of the options available. Contracting with a private organization to run the center was not considered because of the cost. The committee believed an on-site center would allow the Research Center to maintain better control over the operation and management of the center. It also believed an on-site center would be convenient for the employees, provide high quality day care, and the location would allow employees peace of mind, knowing they could visit their children at any time. The Research Center expects to benefit from reduced absenteeism, increased productivity and employee loyalty, and enhanced recruitment of new employees.

NASA's legal counsel advised the committee that the federal government could provide appropriated funds for the renovation of a facility to be used as a child care center, but there was no authority for the use of appropriated funds to operate the center. This consideration prompted the committee to organize the center, called "Lewis Little Folks Inc," as a nonprofit corporation under Ohio law. A board of trustees was elected from among the participating employees.

The Research Center provided $72,754 to renovate space in an existing house on its grounds. Major renovation included remodeling, painting, plumbing, rewiring, and erecting a fence in the back yard. The parent cooperative obtained a $7,500 loan to purchase equipment and pay the first month's salary for the center's staff.

The Board of Trustees determined, based on the information gathered in the survey, that $55 a week would be an appropriate fee to charge. The survey also indicated a need for infant care. However, the Board determined that the eligible age group should be 18 months to 5 years. This determination was made because accepting infants would require more staff in order to meet the staff/child ratio requirements in state law. The additional staffing would increase the operating costs of the center. Secondly, rewiring the facility to accommodate infants would have cost more, because of more stringent building codes applicable to buildings housing infants.

The Lewis Little Folks Day Care Center opened in June 1985 and operates between the hours of 6:30 a.m. and 6:30 p.m., Monday thru Friday. The center has the capacity for 35 children between the ages of 18 months to 5 years. Initial enrollment consisted of children of Research

Center employees only. The center may later give consideration to opening the center to employees of other agencies.

Internal Revenue Service

In 1984, the Commissioner of Internal Revenue established a study group to identify child care alternatives that are available to IRS nationwide. The study group visited approximately 15 day care centers throughout the country to determine the extent and nature of day care availability in the marketplace. These centers included public-private partnerships, hospitals, private concerns, federal facilities, and information and referral services. They also talked to teachers, administrators, and consultants and examined case studies, legal opinions, and state and local regulations.

The study group distributed a questionnaire to IRS employees to examine their need for, and interest in, a child care facility. The questionnaire was structured to provide data in three areas: (1) work-related information (grade, working hours, employment category, etc.); (2) current child care information (number of children, how cared for, amount paid, etc.); and (3) information on potential use of an on-site facility (hours of use, number of children to enroll, features, etc.) Approximately 15,000 questionnaires were distributed to employees at 12 district offices, service centers, and regional offices.

The results showed that of 9,883 responses received, 4,528 (45.8 percent) were interested, and 5,355 (54.2 percent) were not. Projecting that to total IRS employment (approximately 90,000) indicated a potential 41,000 employees with an interest in child care facilities in their workplace. Analysis by grade level indicated that the interest in child care was greatest among the lower grade employees; 67.3 percent for grades 1 through 6; 28.9 percent for grades 7 through 12; and 3.8 percent for grade 13 and above.

According to the study group, two major questions— (1) could appropriated funds be used to operate day care centers and (2) what was IRS' liability in providing child care services to employees—required legal determinations. IRS attorneys subsequently advised that the use of appropriated funds to provide (1) start-up support (renovations of existing or acquired space, purchase of equipment, etc.); (2) agency support for such items as utilities and rent; and (3) information and referral services would require a determination from the IRS Commissioner that day care services were sufficiently related to the recruitment, retention,

productivity, etc. of IRS employees to be necessary to the efficient operation of the IRS. However, the controversial nature of such a determination led the study group and the attorneys to decide that specific legislation to authorize the use of appropriated funds would be preferable.

In response to the issue of potential liability arising from employer-sponsored day care, the attorneys advised that although some risk was present, it could be minimized by careful structuring of the program.

The study group suggested that the IRS consider, among other things, the following actions in implementing and carrying out child care programs within the agency:

- Make a determination that providing funding and other resources for child care programs is necessary for the efficient operation of the agency, and that the costs associated with such programs would be considered necessary expenses and payable out of appropriated funds. Also, seek legislation to specifically authorize use of appropriated funds to support IRS sponsored child care programs.
- Provide information and referral services and conduct parent seminars in all offices where there is an indicated need.
- Establish pilot child care centers in at least one district and one service center. Use consultants or outside contractors in conducting the pilot programs.
- Make a strong commitment to provide the staff time and other resources necessary to implement child care services, including costs of conducting pilots, start-up costs for operable centers, necessary in-kind services for centers, and costs of information and referral services.
- Provide on-site child care centers where appropriate; make space available on a priority basis. Consider using consultants/outside contractors in planning for and establishing child care centers.
- Provide assistance and support to employees in establishing off-site child care centers in areas where on-site facilities are not feasible or warranted.
- Establish a dependent care assistance program in the form of a salary reduction plan as a benefit to employees in paying for child care services. (Employees could pay child care expenses with pre-tax dollars by designating salary amounts they would forego in a year to be used for dependent care.)

Department of Transportation

Based on the interest of the Secretary of Transportation, DOT formed a task force to assess the needs of its headquarters employees in Washington, D.C., and to outline regulatory guidelines. DOT lawyers drafted the articles of incorporation for an on-site center.

The DOT Day Care, Inc., opened September 3, 1985, in DOT's Federal Aviation Administration building. The agency anticipated providing approximately $30,000 for start-up costs, and the organizing task force raised about $10,000 through fundraisers. These funds were to cover the cost of the playground and the director's salary for a period of time. The annual operating expenses were estimated to range from $180,000 to $200,000. The center's capacity is about 70 children with weekly fees of about $60 per child.

Costs of Child Care Centers at Federal Agencies

All eight of the child care centers that we visited or contacted had received some start-up funding from one or more federal agencies. On a continuing basis, the federal agencies generally provided support in the form of space, utilities, and janitorial and maintenance services. These parent-operated centers were responsible for the remaining day-to-day operating expenses. The centers' main source of funding was tuition; staff compensation was the centers' major expenditure.

Start-Up Costs

Start-up costs are those expenses necessary to plan and establish a child care center. Federal agencies provided some, if not all, of the funding for start-up costs at the eight child care centers, including such expenditures as building renovation, playground development, equipment, kitchen appliances, and staff salaries.

As shown in table III.1, the start-up costs that we were able to identify for each of the eight child care centers ranged from about $7,400 at the Veterans Administration facility in North Chicago to over $478,000 at the Department of Labor facility.

Operating Support From Federal Agencies

In addition to start-up costs, federal agencies generally provide, on a continuing basis, some operating support for the day care centers in the form of space, utilities, and janitorial and maintenance services. The support services provided by the federal agencies to the eight child care centers we visited or contacted are shown in table III.2. As can be seen, agencies provided seven of the eight centers with free building space. The other center was charged rent at a reduced rate for the space it

occupied. Seven of the day care centers were provided real property maintenance; six were provided utilities and janitorial services; two were provided telephone services.

The child care centers at the Departments of Education, Health and Human Services, Housing and Urban Development, and Labor are located in buildings controlled by the General Services Administration (GSA). These agencies reimburse GSA for the use of the buildings at a rate per square foot called a standard level user charge. In addition to the use of the building, the user charge generally includes the cost of cleaning, heat, lights, electricity, air conditioning, water, and security. As shown in table III.2, the annual standard level user charges paid by the agencies for the space occupied by these four day care centers ranged from $38,280 to $108,278. On a per child basis, the annual operating support costs ranged from $957 to $1,805.

Officials in the Office of the Architect of the Capitol were unable to provide us with complete cost data for the operating support provided to the Senate Employees' Child Care Center. In order to estimate the cost per child for the operating support provided, we computed the average cost per square foot for the other four day care centers located in the District of Columbia. Using this average, the cost of the operating support provided to this center on an annual basis would be $68,487, or an annual cost of $1,802 for each child enrolled.

Agency and center officials were unable to estimate the total annual cost of operating support provided for the two centers that we contacted at the Veterans Administration Medical Centers.

The center in Boston, Massachusetts, was the only center we contacted that reimbursed GSA for a portion of the standard level user charge from its operating budget. The unreimbursed portion of the user charge was $24,780 a year, or $826 a child.

All of the costs to the government are not captured in these computations. For example, the Departments of Education and Labor provided telephone services for the child care centers located on their premises. Also, the Department of Labor allowed parents of children enrolled in the day care center to charge 2 hours to administrative leave each month to participate in center activities. Further, the standard level user charge for the Department of Health and Human Services does not include the costs for janitorial services the Department provides to the day care center.

Table III.2: Annual Cost of Operating Support Provided to Selected Day Care Centers at Federal Agencies

	Education	Health and Human Services
Support services provided by the government	space utilities janitorial maintenance telephone	space utilities janitorial maintenance
Annual standard level user charge	$38,280	$108,278
Total Square Feet	2,190	4,315
Number of children enrolled in center	40	60
Average annual government support cost per child	$957	$1,805

Housing and Urban Development	Labor	U.S. Senate	Federal Building Boston	VA Medical Center North Chicago	VA Medical Center Ann Arbor
space utilities janitorial maintenance	space utilities janitorial maintenance telephone	space utilities janitorial maintenance	space (at a reduced rate) utilities janitorial maintenance	space	space maintenance
$75,277	$85,519	$68,487[a]	$24,780[b]	Not available	Not available
4,390	5,720	3,702	2,100	4,910	2,640
60	80	38	30	126	30
$1,255	$1,069	$1,802	$826	Not available	Not available

[a]Amounts estimated using the average cost per square foot for the other four centers visited in Washington, D.C.

[b]Represents the user charge amount not reimbursed to GSA by the center.

Operating Expenses Paid by the Day Care Centers

As shown in table III.3, the annual budgeted operating expenses for the eight centers that we visited or contacted ranged from a low of $100,930 at Education to a high of $268,720 at Labor. Staff compensation was by far the largest expenditure, accounting for 79 to 89 percent of the total operating expenses. Food was the second largest expenditure. Other expenses included in the centers' operating budgets included expendable supplies, insurance, staff training costs, communication, and other miscellaneous expenses. The average annual operating expense per child for these centers ranged from $2,063 up to $5,955. For these eight centers, the average annual operating expense was $3,086.

Total Cost Per Child

For the six centers for which we obtained total cost information (both agency-provided services and center operating budgets), the total annual cost per child, as shown in table III.4, ranged from $3,480 at the Department of Education to $6,781 for the center located in Boston; the total annual cost per child for the six centers averaged $4,752. The reasons for the differences between the highest costs at the Boston center and the lowest costs at Education appear to be:

1) The staff-to-child ratio requirements set by the State of Massachusetts are higher than the requirements set by the District of Columbia.

2) The center in Boston serves a hot lunch while the center located at Education requires parents to provide lunches for their children.

Table III.3: Operating Expenses (Excluding Agency Provided Services) **for Selected Day Care Centers Located at Federal Agencies**

	Education	Health and Human Services
Total annual expenses	$100,930	$174,114
Staff salaries and fringe benefits (percent of total)	89,000 (88)	144,237 (83)
Food (percent of total)	5,280[a] (5)	18,709[b] (11)
Expendable supplies (percent of total)	100 (—)	3,459[c] (2)
Liability insurance and bonding (percent of total)	1,500 (2)	1,271 (1)
Training costs (percent of total)	600 (1)	461 (—)
Communication (percent of total)		1,680 (1)
Other (percent of total)	4,450 (4)	4,297 (2)
Number of enrollees	40	60
Average annual expenses per child	$2,523	$2,902

Housing and Urban Development	Labor	U.S. Senate	Federal Building Boston	VA Medical Center North Chicago	VA Medical Center Ann Arbor
$175,730	$268,720	$164,712	$178,653	$260,000	$109,085
139,350 (79)	215,811 (80)	139,704 (85)	141,746 (79)	208,765 (80)	96,940 (89)
18,000 (10)	25,000 (9)	19,000 (12)	11,000 (6)	16,000 (6)	6,500[a] (6)
1,500 (1)	5,000 (2)	2,050 (1)	3,300 (2)	5,000 (2)	
1,010 (1)	2,000 (1)	800 (—)	1,400 (1)	1,200 (1)	550 (—)
300 (—)	1,500 (1)	300 (—)	1,000 (—)	2,750 (1)	
1,600 (1)		400 (—)	1,200 (1)	600 (—)	780 (1)
13,970 (8)	19,409 (7)	2,458 (2)	19,007[d] (11)	25,685[e] (10)	4,315[f] (4)
60	80	38	30	126	30
$2,929	$3,359	$4,335	$5,955	$2,063	$3,636

[a]Includes some supplies.

[b]Includes some kitchen equipment.

[c]Includes some educational equipment.

[d]Includes rent of $10,500.

[e]Includes facility improvements, repairs, and janitorial services of $6,175.

[f]Includes utilities of $1,275.

Table III.4: Computation of Total Cost Per Child at Selected Day Care Centers at Federal Agencies

	Education	Health and Human Services	Housing and Urban Development	Labor	U.S. Senate	Federal Building Boston
Annual agency support	$38,280	$108,278	$75,277	$85,519	$68,487[a]	$24,780
Total annual other operating costs	100,930	174,114	175,730	268,720	164,712	178,653
Total costs	**$139,210**	**$282,392**	**$251,007**	**$354,239**	**$233,199**	**$203,433**
Number of enrollees	40	60	60	80	38	30
Total cost per child	$3,480	$4,707	$4,183	$4,428	$6,137	$6,781

[a]Estimated in-kind annual support.

Operating Receipts of the Day Care Centers

As displayed in table III.5, the budgeted operating receipts for the eight child care centers that we visited or contacted ranged from $97,000 at Education to $266,530 at Labor. Tuition and parent fees accounted for 88 to 100 percent of the receipts. Additional sources of revenue included fund raising activities, the U.S. Department of Agriculture lunch subsidy, and miscellaneous sources, such as interest income, undistributed receipts from prior periods, and the Combined Federal Campaign.

Some Benefits to Private Sector Employers Not Applicable to the Federal Government

Employers who provide child care assistance to employees report such benefits as reduced turnover and absenteeism, increased productivity and morale, enhanced recruitment and public relations, and decreased tax liability. Some of these reported benefits are not directly translatable to the federal government, notably, tax savings and absenteeism reductions.

Employer support for child care is encouraged by federal tax laws. The Economic Recovery Tax Act of 1981 is the most direct government encouragement for employer-sponsored care programs. That law allows employees to exclude from their gross taxable income, subject to certain limitations, amounts paid by their employers under qualified dependent care assistance programs. Moreover, because these amounts are not considered part of an employee's salary, no payroll taxes have to be paid by the employer or the employee. Additionally, employers may deduct from their taxable income all amounts paid into such programs as ordinary business expenses.

Table III.5: Operating Receipts for Selected Day Care Centers Located at Federal Agencies

	Education	Health and Human Services
Total operating receipts	$97,000	$174,265
Tuition/fees (percent of total)	94,000 (97)	166,722 (96)
Fund raising activities (percent of total)	3,000 (3)	
U.S. Department of Agriculture lunch subsidy (percent of total)		3,543 (2)
Miscellaneous (percent of total)		4,000 (2)

Housing and Urban Development	Labor	U.S. Senate	Federal Building Boston	VA Medical Center North Chicago	VA Medical Center Ann Arbor
$181,700	$266,530	$164,712	$178,653	$260,000	$107,744
160,200 (88)	252,130 (95)	158,000 (96)	167,653 (94)	234,200 (90)	107,744 (100)
15,000 (8)	1,200 (—)	3,000 (2)	6,500 (4)	10,000 (4)	
3,000 (2)	5,000 (2)			15,800 (6)	
3,500 (2)	8,200 (3)	3,712 (2)	4,500 (2)		

Two case studies from the Burud study (see p. 26) illustrate the tax savings applicable to the private sector. Both case studies are firms with a company child day care center. Neuville-Mobil Sox, Inc., identified $40,810 to $44,691 in total child care related benefits. Of this amount, $15,500 (35 to 38 percent) was from tax savings. The total annual cost of this center was $32,833, which consisted of 1 year's operating cost (company's portion only) and 1 year's amortization of start-up cost ($42,500 amortized over 15 years). PCA, Inc., identified $211,700 in total annual benefits, of which $91,700 (43 percent) was from tax savings. The total annual cost of this center was $186,200, which was the company's portion of operating costs.

Federal agencies do not pay income taxes. Therefore, tax savings would not be a benefit transferable to the federal sector.

Lower employee absentee rates have been reported by employers offering child care assistance. Renee Y. Magid's 1982 survey (see p. 26) found that reduced absenteeism was seen by employers as one of several important benefits they received. The Burud study reached the same conclusion. Of 178 firms responding to a question about the effects of their child care programs, 53 percent reported lower rates of absenteeism. The implication is that employees who lack child care alternatives frequently take time off to meet their family obligations.

Federal employees receive specific amounts of annual and sick leave each year. They are entitled to annual leave at a rate of 13 days a year for less than 3 years of service, 20 days a year for 3 but less than 15 years of service, and 26 days a year for 15 or more years of service. Employees generally have some flexibility in choosing when to take annual leave and may accumulate and carry over to the following year up to 30 days of unused annual leave. Sick leave is provided to federal employees at a rate of 13 days a year and there is no restriction on the number of sick leave days which may be accumulated.

An earlier report (Compendium of GAO's Views on the Cost Saving Proposals of the Grace Commission, GAO/OCG-85-1, Feb. 19, 1985) showed that in the private sector time off for personal reasons is generally not charged to earned vacation time. Under the federal leave system, however, time off for personal reasons is charged to earned leave, compensatory time, or leave without pay. Federal employees' leave and compensatory time accumulations are therefore entitlements whose costs accrue to the federal government regardless of the purpose for which they are used. The establishment of dependent care assistance

programs within federal agencies may alter the reasons why employees take leave but would not affect the amounts of leave available. That is, federal employees would still be entitled to the leave accumulations cited above. Thus, absentee reductions may be a benefit applicable to the private sector but it does not appear to be a benefit that would be as relevant to the federal sector. However, the federal government may incur the same productivity gains as private sector employees from reducing unplanned absences.

Establishing a Governmentwide Child Care Assistance Program

As shown in appendix III, the federal government provides limited child care assistance—exclusively in the form of support for parent financed on-site centers—to a relatively small number of federal employees. The major reported obstacle to more federal child care initiatives was the lack of available funding. Because of legal uncertainties, providing more financial support for on-site centers or expanding assistance to all those who have pre-school age children should be done only if the Congress enacts legislation specifically authorizing these activities.

The appropriate means for administering such a program would depend on the parameters established. For example, a program allowing agencies flexibility to establish the type of assistance most appropriate in each geographic location would necessitate considerable agency flexibility in designing and implementing the program. On the other hand, a program of reimbursement could be patterned after the government's health insurance program with the Office of Personnel Management given responsibility for establishing reimbursement rates for all eligible employees.

The necessary funds to pay for such assistance may be estimated using the tables presented later in this appendix. Sufficient amounts would need to be appropriated for each agency.

Need for a Statutory Base

Unless specifically authorized by law, an agency's use of appropriated funds for day care may raise legal concerns. Our office has taken the view that an agency can donate space rent free to provide day care for the children of its employees and pay expenses associated with the establishment of a day care center, such as space design, renovation, supplies, and equipment, so long as such expenditures are administratively determined to be necessary expenses incident to the execution of office functions (B-39772-O.M., July 30, 1976). However, the Comptroller General has not ruled on whether appropriated funds are available to pay other operating expenses of day care centers in the absence of specific statutory authorization. Also section 5536, Title 5, United States Code, prohibits a federal employee from receiving compensation or perquisites beyond those fixed by statute or regulation, unless specifically authorized by law and specifically appropriated for that purpose. Thus, depending upon how the day care assistance is provided, a question could arise concerning whether such assistance would constitute additional pay or allowance for the employee/parent under 5 U.S.C. §5536.

Obstacles to Establishing Federal Child Care Assistance Programs

In our efforts to determine why federal agencies have generally not established day care assistance programs for their employees, we queried the Federal Executive Board (FEB) Executive Directors in the 10 standard region headquarters cities. We received responses from 9 of the 10 FEBs. The major reason cited for the lack of child care initiatives was insufficient available funding to meet the high estimated costs.

Responses from the FEBs indicated that other obstacles to providing on-site dependent care assistance to federal employees include lack of space, competition from private care centers, restrictive building codes, and negative publicity about child abuse at day care centers. Moreover, child care centers at the Equal Employment Opportunity Commission (EEOC) and the National Oceanic and Atmospheric Administration (NOAA) were forced to close because of low enrollments, insufficient revenues, poor management of the business operations, and competition from privately run child care centers.

Information from the San Francisco FEB showed that agencies in that region had been actively seeking to establish child care centers but that obtaining space in federal buildings was a major stumbling block. Officials at these agencies indicated that GSA had not been supportive of using space in federal buildings for child care facilities. In 1981, the Department of Labor's Region IX Federal Women's Program Committee conducted a survey of 27 federal agencies in the San Francisco area and concluded that a child care center was needed and would be used by federal employees if established in the Civic Center area. Committee representatives stated that the results of that survey were furnished to GSA and added:

"Unfortunately, the survey did not remove the basic obstacle to use of Federal space—a GSA policy and regulation on joint use space. The joint use policy/regulation permits space costs for certain employee services, such as cafeterias and credit unions, to be absorbed as part of the rent for tenants of the building. The committee was told by GSA that a child care center in Federal space is possible only if a) all agencies in a government building agree to share rental costs; b) one agency in a single agency building agrees to provide a space and the child care center finds a sponsoring agency; or c) a group of agencies agree to pro-rate costs for the center."

Another committee representative stated that vacant space was available in a federal building and that GSA had estimated the start-up costs,

including renovation work, to be as high as $100,000. Without a sponsoring agency and the start-up funds budgeted for, in advance, the committee was unable to proceed.

An official at the U.S. Coast Guard Fourteenth District, in Honolulu, Hawaii, also stated that GSA had presented obstacles to obtaining space for a child care center. This official stated:

"GSA is apparently in a bind as its regulations state that priority for space prohibits them from denying first floor space if any U.S. Government agency requests it. In order to give this space up for outlease for a Child-Care center it appears the law or regulation must be changed or amended to include child-care as priority for government buildings where the employees could benefit. It almost seems that the existing regulation cited is just the justification GSA is looking for so that they can continue to put up the stumbling blocks when child-care comes up as a possibility."

The Chairman and the Executive Director of the Seattle and Dallas FEBs, respectively, also indicated that the lack of space hindered efforts in their regions to establish child care facilities.

The Continuing Appropriations Act for fiscal year 1986, H.J. Res. 465, encourages federal agencies to make extra space available for day care centers. The act authorizes agencies to allot extra space for the establishment of day care centers for federal employees without charge for rent or services, such as heating, electricity, office equipment, and telephone service.

Member agencies of the Denver FEB stated that there are private child care facilities in and around Denver. They indicated that employees currently make their own arrangements to use these resources. One agency official stated that because of the competition from private facilities, no plans were being considered to provide dependent care assistance to agency employees. Similarly, an official of the Kansas City FEB said that 3 or 4 years ago a committee was set up to look at the issue of day care needs of federal workers in that region. One of the outcomes of the committee's investigation was that there already existed ample private facilities for all employees who had a child care need.

The Chairman of the Chicago FEB cited restrictive building codes, such as the necessity for out-of-doors play areas for children in urban downtown locations, as presenting difficulties. He added recent negative publicity involving child abuse at day care centers may have also made agencies reluctant to recommend establishing such facilities.

As previously stated, EEOC and NOAA attempted to provide child care services to their employees. Because of several factors, however, they were unable to maintain operation of these services. The following sections discuss the experiences of the EEOC and NOAA centers.

Equal Employment Opportunity Commission

In 1977, EEOC determined that a child care center would benefit the agency and the employees at its headquarters location in Washington, D.C. In 1978 the agency initiated a pilot program and established the International Child Development Center. EEOC provided the space and paid for the renovations for the center. The agency also supplied the center with equipment, i.e., tables, chairs, educational games, and toys.

The center was designed to accommodate 66 children and its enrollment during the pilot program was approximately 60 children, ages 2 to 5 years. The majority of the enrollees were children of EEOC employees. Other agencies, including the Departments of Interior, Labor, State, and Treasury, also used the center. The center's staff consisted of a director, two teachers, and two teacher's aides.

During the pilot program, EEOC paid most of the center's expenses, including the staff salaries and associated payroll taxes. The fees charged to parents during the pilot stage were approximately $10 per week, per child. Three to 6 months after the pilot program had been in operation, the agency decided to delegate the running of the center to the parents.

The center experienced several difficulties after this transition. Enrollment decreased to about 29 children; consequently, weekly fees were increased to $27.50 and then to $32.50 to meet the center's expenses, in particular staff salaries and payroll taxes. The majority of parents who used the center were low-salaried clerical staff who could not afford the increased fees; many subsequently became delinquent in making payments. Competition from other day care centers in the area attracted the higher salaried EEOC employees, because of the better quality of service and the curriculum these other centers offered. The center's director, who did not have a business management background, had difficulties

in handling the daily business operations of the center. The center also experienced high staff turnover because of low wages.

The center always operated in the red. Fundraisers were held to increase revenues and prevent the center from closing. All efforts were of little success, and the center was closed in 1982.

According to EEOC personnel who had been involved in the International Child Development Center, three corrective measures could have helped prevent the center from closing. First, support from the agency in paying staff salaries and associated payroll taxes would have relieved the center of a large portion of its financial burden. Second, individuals with expertise in business management should have been added to the center's staff to help oversee the day-to-day operations. And third, greater parental commitment, as a support system to the staff, would have been beneficial.

National Oceanic and Atmospheric Administration

In 1980, NOAA formed a committee to explore the possibility of establishing a day care facility at its Page Complex in Washington, D.C. The Page Complex houses various NOAA components such as the National Marine Fisheries Service. A needs assessment conducted by the committee indicated that 22 to 25 employees would enroll their children if a Page Complex child care center were opened.

Available space for the child care center was found at a youth club. NOAA provided seed money in the amount of $7,500 with the agreement that 30 of the center's 42 slots would be reserved for NOAA employees. The center was to have been guided by a parent association, but such an association was never organized. Management of the center was left to the youth club.

The day care project started in 1980, but the center was not opened until March 1982. By the time the center opened, many of those committed to enrolling their children in 1980 had either left the agency, made other arrangements, or had become disenchanted. Consequently, enrollment totalled only five or six children when the center opened.

NOAA tried to stimulate community interest in the child day care center. Employees of private companies in the area were contacted but the response was "lukewarm." The center advertised on the radio and through flyers, but there was very little response from the community.

According to a NOAA official, the community's lack of interest was attributed to the fact that the center was located in a high-income area where the residents could afford to buy quality day care in other facilities.

When the center first opened, the fee schedule was based on family gross income and ranged from $30 to $60 per week, per child. Primarily low-salaried employees utilized the facility, and although the fee schedule was later changed to a flat rate of $45 per week, per child, the cost was prohibitive. Enrollment never exceeded 22 children, well below the minimum number necessary to support the center. The center closed in December 1984.

Estimated Number of Children Needing Care

During our review of alternative work schedule programs, in November 1984, we sent questionnaires to a random sample of 2,633 federal employees who work for executive branch agencies. One of the questions asked respondents to indicate whether there were any adults or children living in their homes who require care or supervision at some time during the workday. Of the 1,972 respondents to this question, 1,365 (69.2 percent) said they had no dependents requiring such care; 545 (27.6 percent) said they had children requiring care; 40 (2.0 percent) said they had adults requiring care; and 22 (1.1 percent) said they had both adults and children requiring care. Thus, 28.7 percent of all respondents indicated that they had children requiring care or supervision during the workday. Of those who indicated they had children requiring care or supervision during the workday, 61.4 percent were males and 38.6 percent were females. Further, of this same group, 82.7 percent were married and 17.3 percent were not married.

For estimates in our report on the alternative work schedule programs, the sampling error varied depending on the group of respondents. The sampling errors for estimates based only on those with dependents would not exceed $\pm$6.6 percentage points at the 95 percent confidence level. For all remaining estimates the sampling errors would not exceed $\pm$4.6 percentage points at the 95 percent confidence level.

The universe (1,823,180 employees) from which the sample of 2,633 federal employees was drawn included all permanent employees of executive branch agencies in the contiguous United States, excluding the Postal Service and the Senior Executive Service. Thus, the projected number of federal employees in this universe who have children requiring care during the workday is about 525,000.

A Bureau of the Census report, Household and Family Characteristics: March 1984, indicates that all families in the United States with children under 6 years of age had, on the average, 1.35 children. Assuming this average is the same for federal employees, there could be about 700,000 pre-school children of federal employees who require care or supervision at some time during the work day.

Cost Estimates for Various Levels of Assistance

Previous sections of this report have discussed the variances in costs of child care assistance programs in both the private sector and the federal government. Using the estimates of annual costs per child, the estimated number of children of federal employees, and other relevant data, the annual cost of different levels of assistance or subsidy can be estimated for various types of programs. For example, as shown in table I.1, the lowest annual operating cost per child we identified for a private sector on-site center was about $1,500. Using this figure and assuming that 10 percent of the children of federal employees were enrolled in on-site centers and the government subsidized the operating costs at a 10-percent level, the total annual cost to the government would be about $10.5 million [(700,000 x .10) x ($1,500 x .10)].

This $10.5 million estimate represents the cost using the lowest estimates from data found in the literature. The data also suggest, however, that the average annual operating costs for employer-supported day care centers may be about $2,500. Information obtained on the day care centers located at federal agencies shows even higher annual operating costs, averaging about $5,000. Using these figures, but again assuming 10-percent enrollment and a 10-percent government subsidy, the annual cost to the government would be about $17.5 million and $35.0 million, respectively. Assuming higher enrollment and greater subsidy from the government would obviously increase the total annual cost to the government. For example, if sufficient capacity was available to set up on-site centers where 50 percent of the children of federal employees could be enrolled, the average annual cost per child was $5,000, and the government subsidized the cost at 50 percent, then the government would incur an annual cost of $875.0 million for child care assistance to its employees. Table IV.1 shows the estimated annual costs to the government for on-site centers at different levels of subsidy, average annual operating costs per child, and number of children enrolled. The estimated total cost to the federal government for the consortium approach, assuming an all federal agency consortium, would be the same as on-site centers.

Similar costs can also be estimated for other types of child care assistance programs, for example, voucher or vendor programs. The literature we reviewed indicated that the average annual amount families are paying for outside child care is about $2,500 to $3,000 per child. For example, in a December 1984 report by the U.S. House of Representatives' Select Committee on Children, Youth, and Families[13] it was shown that, based on a sampling of fees in several states, child care costs ranged from $45 per week ($2,340 annually) to more than $75 per week ($3,900 annually). Dr. Friedman estimates the majority of parents pay about $3,000 a year for child care services. Because these programs take advantage of existing community resources, a wider age group and a larger number of children could be eligible than those who would benefit from on-site centers.

As previously stated, total employer costs of such programs depend largely on the rate of reimbursement and the number of program participants. Table IV.2 shows the estimated annual cost to the government for voucher or vendor programs at different levels of subsidy, average annual day care cost per child, and number of program participants. As can be seen in this table, the annual cost to the government for these programs could range anywhere from $43.8 million to $1.1 billion.

These cost estimates are only for the operating costs if the federal government elects to subsidize the operations of child care assistance programs. Start-up costs have not been estimated and, as previously shown in this report, could vary on a case-by-case basis. Assumptions about the amounts of start-up costs which may be incurred are more difficult to quantify than assumptions about operating costs. Therefore, we have not attempted to estimate start-up costs but will only reiterate that start-up costs, for day care centers at the federal agencies we contacted, ranged from $7,373 to $478,100. Further, start-up costs for child care assistance programs in the private sector, as reported in the Magid study, ranged from as low as $300 to nearly $1 million.

In addition, the estimates used for determining the potential number of children of federal employees were based on a universe of only permanent employees at executive branch agencies. If a government child care assistance program is instituted which covers all federal employees (that is, including those in the judicial and legislative branches, the

[13]Families And Child Care: Improving The Options, A Report by the Select Committee on Children, Youth, and Families, U.S House of Representatives, Ninety-Eighth Congress, Second Session, December 28, 1984.

Postal Service, and those with temporary appointments) the cost estimates obviously would be greater than shown here.

Table IV.1: Estimates of Annual Costs to the Federal Government for Subsidy of On-Site Centers

Number of children enrolled (percent of total eligible)	Annual operating cost per child	Percent of subsidy	Total annual cost to the government (in millions)
70,000 (10)	$1,500	10	$ 10.5
		25	26.3
		50	52.5
	2,500	10	17.5
		25	43.8
		50	87.5
	5,000	10	35.0
		25	87.5
		50	175.0
175,000 (25)	1,500	10	26.3
		25	65.5
		50	131.3
	2,500	10	43.8
		25	109.4
		50	218.8
	5,000	10	87.5
		25	218.8
		50	437.5
350,000 (50)	1,500	10	52.5
		25	131.3
		50	262.5
	2,500	10	87.5
		25	218.8
		50	437.5
	5,000	10	175.0
		25	437.5
		50	875.0

Table IV.2: Estimates of Annual Costs to the Federal Government for Subsidy of Voucher or Vendor Programs

Number of children (percent of total elig.)	Annual day care cost per child	Percent of subsidy	Total annual cost to the government (in millions)
175,000 (25)	$2,500	10	$ 43.8
		25	109.4
		50	218.8
	3,000	10	52.5
		25	131.3
		50	262.5
350,000 (50)	2,500	10	87.5
		25	218.8
		50	437.5
	3,000	10	105.0
		25	262.5
		50	525.5
525,000 (75)	2,500	10	131.3
		25	328.1
		50	656.3
	3,000	10	157.5
		25	393.8
		50	787.5
700,000 (100)	2,500	10	175.0
		25	437.5
		50	875.0
	3,000	10	210.0
		25	525.0
		50	1,050.0

Letter Dated October 17, 1984, From the Chairman of the House Committee on Post Office and Civil Service

WILLIAM D. FORD, MICH., CHAIRMAN

MORRIS K. UDALL, ARIZ.
WILLIAM (BILL) CLAY, MO.
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CONNIE MACK, FLA.

House of Representatives
Committee on Post Office
and Civil Service
Washington, D.C. 20515

TELEPHONE (202) 225-4054

October 17, 1984

Honorable Charles A. Bowsher
Comptroller General
General Accounting Office
Washington, D. C. 20548

Dear Mr. Bowsher:

I am forwarding a letter from Representatives Patricia Schroeder and Mary Rose Oakar who chair the Subcommittee on Civil Service and the Subcommittee on Compensation and Employee Benefits, respectively, along with my request that the study they describe be conducted.

With kind regards,

Sincerely,

WILLIAM D. FORD
Chairman

Enclosure

WDF:prp

NINETY-EIGHTH CONGRESS

PATRICIA SCHROEDER, COLO., CHAIRWOMAN

MORRIS K. UDALL, ARIZ. — CHARLES PASHAYAN, JR., CALIF.
KATIE HALL, IND. — FRANK R. WOLF, VA.
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U.S. House of Representatives
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
SUBCOMMITTEE ON CIVIL SERVICE
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Washington, D.C. 20515

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October 15, 1984

Honorable Charles A. Bowsher
Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Bowsher:

In the closing days of the Ninety-Eighth Congress, an objector killed legislation, H.R. 5646, which would have required, among other things, a study of providing day care for dependents of Federal employees.

Despite the fact that H.R. 5646 did not become law, we remain concerned about the lack of dependent day care in the Federal government. We, therefore, request that the General Accounting Office conduct a study of dependent care. The parameters of such a study should be the same as those applied to the study required by H.R. 5646. A description of these requirements can be found on pages 10 and 11 in the Report of the Committee on Post Office and Civil Service to accompany H.R. 5646 (H. Rpt. 98-1053, copy enclosed). As part of this study, we request that you canvass private sector studies to determine whether cost savings identified there can be translated into similar savings for the Federal government.

We hope that a study can be concluded by late Spring 1985, so that legislation, if desirable, can be developed.

Thank you for your consideration.

With kind regards.

Sincerely,

Pat Schroeder Mary Rose Oakar

PATRICIA SCHROEDER
Chairwoman
Subcommittee on Civil Service

MARY ROSE OAKAR
Chairwoman
Subcommittee on Compensation & Employee Benefits

Enclosure

Letter Dated January 3, 1985, From the Chairman of the Senate Committee on Governmental Affairs

WILLIAM V. ROTH JR., DEL., CHAIRMAN

CHARLES H. PERCY, ILL.
TED STEVENS, ALASKA
CHARLES McC. MATHIAS, JR., MD.
WILLIAM S. COHEN, MAINE
DAVID DURENBERGER, MINN.
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SAM NUNN, GA.
JOHN GLENN, OHIO
JIM SASSER, TENN.
CARL LEVIN, MICH.
JEFF BINGAMAN, N. MEX.
DAVID PRYOR, ARK.

JOHN M. DUNCAN, STAFF DIRECTOR
IRA S. SHAPIRO, MINORITY STAFF DIRECTOR AND CHIEF COUNSEL

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, D.C. 20510

January 3, 1985

The Honorable Charles A. Bowsher
Comptroller General
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Charles:

I am writing to request that the General Accounting Office conduct a thorough analysis of the federal government offering child care assistance to working parent employees.

Senator Paul Trible and Representative Frank Wolf authored legislation which passed both Houses of Congress in the closing days of the 98th Congress which called for such a study. Although final action on this measure was not completed before the session adjourned, it is clearly the intent of Congress that the study called for in the Wolf/Trible legislation be conducted. As Chairman of the Committee on Governmental Affairs, I am concerned that such a study be undertaken as soon as possible to provide us with this needed information.

As you may be aware, some research has been conducted on this issue in the private sector. The proposed study should review the information which is already available on employer provided child care. In addition, GAO should carefully review all aspects of the cost to the government of providing child care. Specifically, this cost analysis should include, but not be limited to, an analysis of the cost of the government funding the entire child care benefit, the cost if the government provided only the location and equipment for the child care facilities, and the projected cost of the operating expenses, whether paid by the goverment or the employee. GAO should examine the impact of government run child care facilities on private facilities which may now have employee dependents enrolled. In addition, GAO should review all alternatives to the federal government providing government run or government subsidized facilities, including voucher systems or other alternatives which may be available to private sector employees.

Because of the potentially far-reaching impact of this issue, it is particularly important that GAO carefully review all possible ramifications of providing child care to federal employees.

Thank you for your assistance on this matter.

Sincerely,

William V. Roth, Jr.
Chairman

Letter Dated January 11, 1985, From Senators Bingaman, Deconcini, Durenberger, Eagleton, Hawkins, Inouye, Levin, Mathias, Trible, and Warner

WILLIAM V. ROTH, JR., DEL., CHAIRMAN

CHARLES H. PERCY, ILL.
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CHARLES McC. MATHIAS, JR., MD.
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United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, D.C. 20510

January 11, 1985

Mr. Charles A. Bowsher
Comptroller General of the United States
General Accounting Office
441 G Street, Northwest
Washington, D. C. 20548

Dear Mr. Bowsher:

We wish to express our interest in a study which the General Accounting Office is conducting on the feasibility of providing federal employees dependent care benefits. The study, requested on October 15 by Representative Patricia Schroeder, Chairwoman of the Subcommittee on Civil Service, and Representative Mary Rose Oakar, Chairwoman of the Subcommittee on Compensation and Employee Benefits, will explore the range of child care programs in the private sector, analyze the cost of each of these options, and determine if similar cost-savings can be achieved by the federal government.

The time has come for the federal government to look at the possibility of providing its employees child care benefits. The House and Senate addressed the issue of investigating the options of providing dependent care benefits to federal employees in the 98th Congress. Senator Paul Trible and Congressman Frank Wolf sponsored legislation authorizing the General Accounting Office to make a cost-assessment study. While final action was not taken on this bill before the end of the session, broad support for such a timely study was evident.

The House Select Committee on Children, Youth, and Families predicts that by 1990 55 percent of married women and 50 percent of mothers with children under six will be working. The Committee also predicts that one in every four children under the age of 10 will be in a single parent household, with that parent either employed or looking for work.

Estimates by the White House Office on Private Sector Initiatives indicate that 1,100 companies now offer their employees some kind of child care assistance as a fringe benefit. Research shows that a dependent care benefit pays off economically in terms of increased productivity, lower employee turnover, less absenteeism, and higher morale. For every $1 corporations, small businesses, and nonprofit organizations spend on dependent care benefits, the employer receives a return on that investment anywhere between $4 and $20.

In January 1984 an on-site day care center was opened for the children of Senate employees. In addition to providing the space and furnishing utilities, the only funding and support provided by the Senate has been $20,000 for start-up costs. The center, incorporated by Senate staff members, is self-sustaining and funded by tuition. Because of the demonstrated success of this program and its potential to be used as a model for a child care option, we suggest that this employer-sponsored day care program be included in your study.

We look forward to receiving your analysis and recommendations for dependent care in the Spring.

Sincerely,

Tom Eagleton
Thomas F. Eagleton
United States Senator

Charles McC. Mathias, Jr.
United States Senator

Jeff Bingaman
United States Senator

Dave Durenberger
United States Senator

Carl Levin
United States Senator

Paul S. Trible, Jr.
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